

# GSP3201 ENTREPRENEURIAL STUDIES II



**BAUCHI STATE UNIVERSITY, GADAU**

**SECOND SEMESTER 2010/2020 ACADEMIC SESSION**

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LITERARY STUDIES, BASUG CHAPTER  
(NASELS 2021 EXCOS)  
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## MODULE ONE: MINDSET DEVELOPMENT

### Appraise the effectiveness of mind set in entrepreneurship

Part of the practice of entrepreneurship is being in the right mindset to start and grow a business. Of course, knowledge is extremely important, but what made a potential entrepreneur to take that knowledge and apply it so successfully to the world of business practice? What motivated him to start his own business? We could say that potential entrepreneur should have an open mind, which can make him curious about potential opportunities in the tracking solution industry. The potential entrepreneur should have the confidence to take action by knocking on doors and gaining support for this idea. He should also believed enough to persist with his idea, even in the face of high financial risk. It is this type of mindset that kept a potential entrepreneur on the right track and ultimately led to business creation and success.

Stanford University psychologist Crol Dweck proposes that there are two different types of mindset: **a fixed mindset** and **a growth mindset**.

In a **fixed mindset**, people perceive their talents and abilities as set traits. They believe that brains and talent alone are enough for success and go through life with the goal of looking smart all the time. They take any constructive criticism of their capabilities very personally, and tend to attribute others' success to luck. People with a fixed mindset will tell themselves they are no good at something to avoid challenge, failure, or looking dumb.

On the other hand, in a **growth mindset**, people believe that their abilities can be developed through dedication, and hard work. They think brains and talent are not the key to lifelong success, but merely the starting point. People with a growth mindset are eager to enhance their qualities through lifelong learning, training, and practice. Unlike people with fixed mindsets, they see failure as an opportunity to improve their performance, and to learn from their mistakes. Despite setbacks, they tend to persevere rather than giving up.

Recent studies have found that overly praising or being praised simply for our intelligence can create a fixed mindset. For example, using a series of puzzle tests,

**Growth Mind:** I can learn anything I want to.

When I'm frustrated, I persevere.

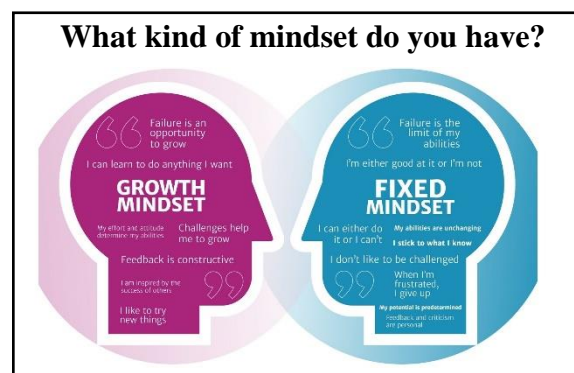
I want to challenge myself.

When I fail, I learn. Tell me I try hard.

If you succeed. I am inspired.

**Fixed Mind:** I'm either good at it, or I'm not.

When I'm frustrated, I give up.



I don't like to be challenged.

When I fail, I'm good. Tell me I'm smart.

If you succeed, I feel threatened.

My abilities determine everything.

**FIXED MINDSET:** *"When do you want to start up a business? You need accounting skills, you were always terrible at math at school. Are you sure you can do it?"*

**GROWTH MINDSET:** *"I might not be any good at accounting at first, but I think I can learn to be good at it if I commit to it and put in the time and effort"*

**FIXED MINDSET:** *"Do yourself a favour; forget the idea and hand on to your dignity"*

**GROWTH MINDSET:** *"If you don't try, I'll fail anyway. Where's the dignity in that?"*

**FIXED MINDSET:** *"Dude! This wouldn't have happened if you were actually good at accounting in the first place. Time to throw in the towel."*

**GROWTH MINDSET:** *"Not so fast. Look at Richard Brandson and Sean Parker - they suffered lots of setback along the way, yet they still persevered".* Now suppose that a friend who hears about your low exam score makes a joke about your performance.

**FIXED MINDSET:** *"Why am I being criticized for doing badly with accounting exam? It's not my fault. I'm just not cut for accounting, that's all."*

**GROWTH MINDSET:** *"I can own this setback and learn from to/ I need to do more practicing, and next time, I will do better"*

If you listen to the fixed mindset voice, the chances are you will never persevere with the accounting process. If you pay attention to the growth mindset voice instead, the likelihood is that you will pick yourself up, dust yourself off, start practicing again, and put the effort in before the exam.

Over time, the voice you listen to most becomes your choice. The decisions you make are now in your hands. By practicing listening and responding to each of these voices, you can build your willingness to take on new challenges, learn from your mistakes, accept criticism, and take action.

As we have explored, our mindset is not dependent on luck, nor is it fixed; we each have the capability to adjust our mindset to recognize and seize opportunities, and take action even under the most unlikely or uncertain circumstance, as long as we work hard and practice. This is why the mindset is essential to entrepreneurship.

### **The Mindset for Entrepreneurship**

The growth mindset is essential to a mindset for entrepreneurship. The practice of entrepreneurship requires a specific mindset that entrepreneurs have the ability to alter their ways of thinking in order to see the endless possibilities in the world. While there is no one clear definition of mindset and how it relates to entrepreneurs, we believe the most accurate meaning of an entrepreneurial mindset in the ability to quickly sense, take action,

and get organized under uncertain conditions. This also includes the ability to persevere, accept and learn from failure, and get comfortable with a certain level of discomfort!

### **Passion Entrepreneurship**

Among many elements of the entrepreneurial mindset, one of the most talked about is the element of passion. The entrepreneurial mindset is about understanding yourself, who you are, and how you view world. It deeply connects to your *desired impact*, which some people equate to passion. In the past, researchers tended to use passion as a reason to explain certain behaviours displayed by entrepreneurs that were thought to be unconventional, such as perceived high risk taking, intense focus and commitment, and a dogged determination to fulfil a dream. Indeed, many well-known entrepreneurs such as Mark Zuckerberg (Facebook founder), Jeff Bezos (Amazon founder) and Pierre Omidyar (eBay founder) credit passion for their success.

But what I passion, and is it really that important to entrepreneurial success? In the context of entrepreneurship, **passion** can be defined as an intense positive emotion, which usually related to entrepreneurs who are engaged in meaningful ventures, or tasks and activities, and which has the effect of motivating and stimulating entrepreneurs to overcome obstacles and remain focused on their goals. This types of passion is aroused by the pleasure of engaging in activities we enjoy. Studies have found that passion can also “**enhance mental activity and provide meaning to everyday work**” as well as fostering “**creativity and recognition of new patterns that are critical in opportunity exploration and exploitation in uncertain and risky environments.**”

Passion has also been associated with a wide range of positive effects, such as strength and courage motivation, energy, drive, tenacity, strong initiative, resilience, love, pride, pleasure, enthusiasm, and jot all of which can occur as part of the entrepreneurship process. While passion is not all that is needed to be successful, research has shown that positive feelings motivate entrepreneurs to persist and engage in tasks and activities in order to maintain those pleasurable emotions. However, there can also be a dysfunctional side to passion. It is possible to become blinded by passion and so obsessed by an idea or new venture that we fail to heed the warning signs or refuse to listen to negative information or feedback. This types of negative passion can actually curb business growth and limit the ability to creatively solve problems.

### **Entrepreneurship as a Habit**

So far, we have discussed the meaning of mindset, the different types, and the importance of passion and positive thinking for success. As we have learned, mindset is not a predisposed condition; anyone of us can develop **a more entrepreneurial mindset**, but how do we do it? A good approach is to consider developing new habits.

A **habit** is a sometimes unconscious pattern of behavior that is carried out often and regularly. Good habits can be learned through a “**a habit loop**” a process by which our brain decides whether or not a certain behavior

should be stored and repeated. If we feel rewarded for our behavior, then we are more likely to continue doing it. For example, toothpaste companies instigate a habit loop in consumers by not just advertising the hygiene benefits of brushing teeth, but also the ‘**tingling, clean feeling**’ we get afterwards the reward. People are more likely get into a tooth brushing habit loop as a result. In the sections that follow, we present three habits that need to be cultivated for an entrepreneurial mindset: self-leadership, creativity, and improvisation. As with all good habits, they require practice.

## MODULE TWO: THE SELF-LEADERSHIP HABIT

### Explain how to develop the habit of self-leadership

In the context of entrepreneurship, **self-leadership** is a process whereby people can influence and control their own behavior, actions, and thinking to achieve the self-direction and self-motivation necessary to build their entrepreneurial business ventures. Entrepreneurship requires a deep understanding of self and an ability to motivate oneself to act. You cannot rely on someone else to manage you, get you up in the morning or force you to get the work done. It can be lonely, and oftentimes no one is around to give you feedback, reprimand you, or reward you! As a result, self-leadership is required. It consists of three main strategies: behavior-focused strategies; natural reward strategies; and constructive thought pattern strategies.

#### Elements of Self-Leadership



**Behavior-focused strategies** help increase self-awareness to manage behaviors particularly when dealing with necessary but unpleasant tasks. These strategies include self-observation, self-goal setting, self-reward, self-punishment, and self-cueing.

**Self-observation** raises our awareness of how, when and why we behave the way we do in certain circumstance.

For example, twice a day, you could stop and deliberately ask yourself questions about what you are accomplishing; what you are not accomplishing; what is standing in your way; and how you feel about what is happening. This is the first step toward addressing unhelpful or unproductive behaviours in order to devise ways of altering them to enhance performance.

There has been much study regarding the importance of setting goals as a means of enhancing performance.

**Self-goal setting** is the process of setting individual goals for ourselves. This is especially effective when it is accompanied by **self-reward** -ways in which we compensate ourselves when we achieve our goals. These rewards can be tangible or intangible; for example, you might mentally congratulate yourself when you have achieved your goal (intangible); or might go out for a celebratory meal or buy yourself a new pair of shoes (tangible). Setting rewards is a powerful way of motivating us to accomplish our goal.

Ideally, **self-punishment** or **self-correcting feedback** is a process that allows us to examine our own behavior in a constructive way in order to reshape these behaviours. For example, if we make a mistake, we can assess why it happened and make a conscious effort not to repeat it. However, many of us have the tendency to beat ourselves up over perceived mistakes or failures, indeed, excessive self-punishment involving guilt and self-criticism can be very harmful to our performance.

Finally, we can use certain environmental cues as a way to lists or notes or constructive behavior and reduce or eliminate destructive ones through the process of **self-cueing**. These cues might take the form of making lists, notes, or having motivational posters on your wall. They act as a reminder of your desired goals, and keep your attention on what you are trying to achieve.

Rewarding ourselves is a beneficial way to boost our spirits and keep us committed to attaining our goals. **Natural reward strategies** endeavor to make aspects of a task or activity more enjoyable by building in certain features, or by reshaping perceptions to focus on the most positive aspect of task and the value it holds. For example, if you are working on a particularly difficult or boring task, you could build in a break to listen to some music or take a short walk outside. In addition, rather than dreading the nature of the work, you could refocus on the benefits of what you are doing and how good it will feel when it is done. Much of our behavior is influenced by the way we think, and the habit of thinking in a certain way is derived from our assumptions and beliefs. **Constructive thought patterns** help us to form positive and productive ways of thinking that can benefit our performance. Constructive thought pattern strategies include identifying destructive beliefs and assumptions and reframing those thoughts through practicing self-talk and mental imagery. As we observed earlier in this chapter, we can use positive self-talk to change our mindset and thought patterns by engaging in dialogue with that people to image ourselves performing a certain task or activity. In fact, studies shows that people who visualize themselves successfully performing an activity before it actually takes place are more likely to be successful at performing the task in reality.

These behavioural self-leadership are designed to bring about successful outcomes through positive behaviors, and suppress or eliminate those negative behaviors that lead to bad consequences. The concept of self-leadership has been related to many other areas such as optimism, happiness, consciousness, emotional

intelligence, among others. We believe self-leadership to be an essential process for helping entrepreneurs build and grow their business ventures.

## THE CREATIVITY HABIT

### Explain how to develop the habit of creativity

Creativity is a difficult concept to define, mainly because it covers such a wide breath of processes and people from artists, to writers, to investors, to entrepreneurs all of whom could be described as creative. Yet creativity can be elusive, and sometimes we spot it only after it is presented to us. Take the classic inventions, for instance. Sometimes, we look at these inventions and wonder why on earth we hadn't thought of them ourselves. Post-it brand notes, paper clips, zippers, and Velcro they all seem so obvious after the fact. But of course it is the simplest ideas that can change the world.

Because of its elusiveness, there is no concrete or agreed definition of creativity; however, we like to define **creativity** as the capacity to produce new ideas, insights, inventions, products, or artistic objects that are considered to be unique, useful and of value to others. For example, Slavi Slavev and Kristina Tsvetanova, cofounder of Austria-based Blitab Technology, have received multiple awards for their creativity in building the world's first tablet for the visually impaired. Again, creativity is not something we are born with, but a developed skill-creativity is a creating in action. Studies have shown that people who are creative are open to experience, persistent, adaptable, original, motivated, self-reliant, and they do not fear failure.

But what has creativity got to do with entrepreneurship? First, there is some evidence that entrepreneurs are more creative than others. A study published in 2008 found that students enrolled in entrepreneurship programs scored higher in personal creativity than students from other program. This tells us that while everyone has the capacity to be creative, entrepreneurs score higher on creativity simply because they are practicing the creative process more regularly.

A quote from movie *Dead Poets Society*, which was a huge hit in the late 1980s. it is a story about a maverick English teacher named John Keating (played by Robin Williams) who challenges the strict academic structure of Welton, a traditional exclusive all-boys college preparatory school. Mr. Keating urges his students to question the status quo, adjust their mindset, change their behaviors, live life to the fullest and, famously, to seize the day (using the Latin phrase *carpe diem!*). This movie is an excellence example of creativity, and especially relevant to entrepreneurs.

### A creative mind

The importance of creativity and its necessary in navigating the uncharted waters in an uncertain world is also reflected in our biology. In human anatomy, it has long been known that the brain is divided into two hemisphere.

Generally speaking, the left hemisphere controls movement, sensation, and perception on the right side of our body, and the right hemisphere does the same on the left side of our body. This is why an injury to the left of the brain can result in impairment or paralysis on the right side of the body, and vice versa. In the 1960s, researchers proposed that each of the two hemispheres had its own distinct thinking and emotional functions.

This idea was then further expanded to proposed “left-brained” and “right-brained” orientations as though they were personality types. In his book *A Whole New Mind*, business and technology author Daniel Oink uses the right-brain/left-brain model to describe how today’s society is moving from left-brain thinking to right-brain thinking. Historically, Pink observes, people have tended to use left-brain thinking over right-brain thinking because most tasks and activities in the agricultural and industrial age demanded these attributes.

Those were the times when jobs were more methodical and predictable. Today, many of the methodical tasks have been outsourced or have been taken over by computers. Pink holds that we not live in a “**conceptual age**” that requires us to use both left and right sides of the brain to create new opportunities and possibilities in other words, to succeed in today’s world, we need a different way of thinking.

However, it is important to recognize that there has been little scientific support for the model of people being “**left-brained**” or “**right-brained**” even as the technology for brain scans had advanced. In a 2012 study, researchers at the University of Utah analyzed brain scans from more than 1,000 people between the ages of 7 and 29. They found no evidence to suggest that one side of the brain was more dominant than the other in any given individual: “**Our data are not consistent with a whole-brain phenotype of greater ‘left-brained’ or greater ‘right-brained’ network strength across individuals.**”

## THE IMPROVISATION HABIT

Improvisation is the art of spontaneously creating something without preparation. Improvisation is connected to the mindset because it helps us develop the cognitive ability to rapidly sense and act as well as change direction quickly.

For many of us, the word ‘improvisation’ evokes images of people standing on stage in front of an audience under pressure to make them laugh or to entertain them. While it is true that world-famous comedy clubs like Second City in Chicago offer classes in improvisation to aspiring actors including Tina Fey, Stephen Colbert, and Steve Carell.

Improvisational skills can be very useful to entrepreneurs of all types. The ability to function in an uncertain world requires a degree of improvisation. Entrepreneurs may begin with a certain idea or direction, but



obstacles such as limited resources, unforeseen market conditions, or even conflicts with team members can prevent them from executing their initial plans. This means they need to find way to quickly adapt to their circumstances, think on their feet, and create new plans to realize their vision. A recent study showed that entrepreneurs starting new ventures who displayed more signs of improvisational behavior tended to outperform those who did not have the same tendencies.

There is a long tradition of improvisation technique applied to the theatre and to music styles such as Jazz, but improvisation has also been growing in popularity in business and entrepreneurship. For example, many major business schools such as UCLA's Anderson School of Management, Duke University's Fuqua School of Business. MIT's Sloan School of Management, and Columbia Business School offer business students courses on improvisation to teach skills such as creativity, leadership, negotiation, teamwork, and communication. Indeed, Columbia takes business students to a jazz club so they can engage with professional musicians regarding how they use improvisation on stage.

Robert Kulhan, an assistant professor at Duke University's Fuqua School of Business, teaches improvisation to business students and executives. Kulhan asserts that "improvisation isn't about comedy, it's about reacting being focused and present in the moment at very high level". Improvisation is especially relevant to the world of entrepreneurship where uncertainty is high and the ability to react is essential.

For those of you who may feel a little apprehensive about the idea of engaging in spontaneous creation, it may comfort you to know that anyone can improvise. In fact, you may not realize it, but each one of us has been improvising all our lives.

## **THE MINDSET AS THE PATH WAY TO ACTION**

### **Relate the Mindset for entrepreneurship to entrepreneurial action**

The mindset is the pathway to action. There is no entrepreneurship without action, and the mindset is antecedent to action. As we have seen in the preceding sections, the entrepreneurial mindset requires the habits of self-leadership, creativity, and improvisation. These habits create an emotional platform for entrepreneurial actions. You can have the best idea in the world, but without a mindset with a bias for action, there is nothing no new venture, product, organization or anything else. Taking action is the way to get results. Even the process of changing and expanding your mindset involves taking action through deliberate practice.

But taking action requires a degree of confidence, and belief in our attribute known as self-efficacy. Let's take a look at how self-efficacy supports entrepreneurial activity.

### **Self-Efficacy and Entrepreneurial Intentions**

There have been an increasing number of studies on **entrepreneurial self-efficacy (ESE)** which is the belief entrepreneurs have in their ability to begin new venture. Self-efficacy is an essential part of the entrepreneurial

mindset, and it is thought to be good indicator of entrepreneurial intentions as well as a strong precursor to action. In fact, recent research suggests that entrepreneurial self-efficacy can enable the entrepreneur to more effectively confront demands or stressors and thus improve entrepreneurial performance. In other words, the research suggests that when we believe in our ability to succeed in something, we are more likely to actively take the steps to make it happen.

However, sometimes there is a fine line between self-confidence, self-efficacy, and arrogance. Arrogance leads a person to believe that he or she achieved success without help from others; further, the arrogant person may feel entitled to success and entitled to “bend the rules” to get ahead. As explored in the *Entrepreneurship Meets Ethics* feature, there is, in fact, a synergy between entrepreneurs and many other stakeholders. Healthy self-efficacy recognizes this relationship and makes use of it in constructive, mutually beneficial ways.

Sara Blakely, founder of undergarment manufacturer Spanx, believed in her vision so deeply that, she committed her personal finances and all her energy to bring her product to fruition. We could say that Robert Donat, the founder of GPS Insight, believed in his own ability to make things happens by building his company into the success it is today. Like many other factors of entrepreneurship, researchers have found that ESE can be heightened through training and education.

In general, people with high levels of self-efficacy tend to put in a higher level of effort, persist with an idea, and persevere with a task more than those people who possess low levels of self-efficacy, as shown by certain experiments by researchers. For example, the General Self-Efficacy Scale (GSES), was designed by researchers to assess the degree to which we believe our actions are responsible for successful results. It measures the belief we have in our ability to carry out difficult tasks, cope with adversity, persist in reaching our goals, and recover from setbacks.

The GSES has been used all over the world since the 1990s to measure the self-efficacy levels of a whole range of ages, nationalities, and ethnicities. It is thought to be an accurate way of testing self-efficacy levels. It consists of 10 items, takes 4 minutes to complete, and is scored on a range from 10 to 40; the higher the score, the stronger the belief in your ability to take action. Take 4 minutes and complete the scale.

Keep in mind that self-efficacy can change over time. The more you practice something, such as entrepreneurship, the greater the likelihood that your self-efficacy related to entrepreneurial action will increase.

### The General Self-Efficacy Scale (GSES)

1.	I can always manage to solve difficult problems if I try hard enough
2.	If someone opposes me, I can find the means and ways to get what I want
3.	It is easy for me to stick to my aims and accomplish my goals

4.	I am confident that I could deal efficiently with unexpected events
5.	Thanks to my resourcefulness, I know how to handle unforeseen situations
6.	I can solve most problems if I invest the necessary effort
7.	I can remain calm when facing difficulties because I can rely on my coping abilities
8.	When I am confronted with a problem, I can usually find several solutions
9.	If I am in trouble, I can usually think of a solution
10.	I can usually handle whatever comes my way

**Response Format**

1 = Not at all true. 2 = Hardly True. 3= Moderately true. 4 = Exactly true

Sources: Schwarzer, R & Jerusalem, M (2015) Generalized Self-Efficacy Scale. In J, Weinman, S. Wright (Eds) *Measurer in Health Psychology. A User's Portfolio Causal and Control Beliefs* (pp. 3537). Windsor, England, NFER NELSON, Scale retrieved from <http://userpage.fuberlin.de/-health/engscal.htm>

**The role of Mindset in Opportunity Recognition**

As our mindset grows and expands through practicing self-leadership, creating and improvising, we are more inclined to recognize and create opportunities. In fact, Richard Wiseman's study of luck, described in the *Research at Work* feature, shows us that people who consider themselves lucky are more open to recognizing chance opportunities. As we have explored, in order to develop an optimal mindset for entrepreneurship, we need to recognize its importance, and consciously take the steps to nurture it through the practice of self-leadership, creativity and improvisation. Working on those areas helps build higher levels of self-efficacy that give us the confidence to create, pursue, and share our ideas. But building a strong mindset, we are better able to identify exciting opportunities and to take action to begin new ventures, products or organizations. A continuously expanding and growing mindset is the key to successful entrepreneurship.

**MODULE THREE: CONCEPT OF ENTREPRENEURSHIP**

Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, social risk and receiving the resulting rewards of monetary and personal satisfaction and independence.

However, a person decides to do something either because something in that activity lure him or he takes it as option in lieu of something else, he is forced to do it people or circumstance. The factors which lure a person to become entrepreneur are called **PULL FACTORS** and the factors that compel him are called **PUSH FACTORS**. These factors are explained below:

**PULL FACTORS:** Pull factors include the following:

- **Perception of Advantages:** If a person feels that he can earn better or overall gains in terms of money, status, security, future, etc. as an entrepreneur better than working as an employee, he tends to turn an entrepreneur.
- **Spotting an Opportunity:** Many employees spot a business opportunity in the course of their work and decide to exploit that opportunity rather than pass it on to their employer. Many employees buy unsuccessful businesses at throw away prices from their former employers and turn them around.
- **Government Policies:** Government very often formulate policies to promote certain business activity or backward areas which offer tax concessions/holidays, cash subsidies cheap land, etc. which improve success and profit prospects.
- **Motivation:** From biographies or success stories.
- **Influenced:** by culture, family background, teachers, peers, etc.

### PUSH FACTORS:

- **Job Dissatisfaction:** Many people start their own venture because they feel dissatisfied with their existing jobs/boss/work environment.
- **Relocation:** Repeated or especially unhappy relocation sometimes prompts some people to entrepreneurship.
- **Joblessness:** This is the bigger source of micro level entrepreneurships. Many parents help their academically poor children, who fail to find a job, to start their own micro ventures. But success rate in such ventures is poor. Their very traits responsible for their academic failure lead to business failure.
- **Lay Off:** Layoff often lower the market value of an employee to half. Thus, if a person is laid off and he is unable to find a suitable job for him, he might think of starting his own business.
- **Retirement:** Many retired, but physically and mentally fit people start their own business either to supplement their pension/savings or just to keep themselves gainfully occupied.

### CRITICAL SUCCESS FACTORS IN ENTREPRENEURSHIP

If we take a look at many successful enterprises today, we can see that there must be some things some inner forces that make success possible. Nearly all successful managers behave alike. They take calculated risks. They understand their strategic direction and at the same time they remain focused. Our focus in this discussion is to understand those factors that are critical for success in entrepreneurship.

- **Existence of a Good Business Opportunity:** since we are discussing success factors in entrepreneurship, it must also be important to stress that the objective of the entrepreneur is to make a profit, however, cannot be made unless there exists a good business opportunity which the entrepreneur has seen and wants to exploit.
- **Technical Competence:** Technical competence ordinary refers to the ability of the entrepreneur to understand the business in question and also possess the relevant knowledge and skills to engage in the

business. For example, a person engaged in the business of photography must understand the handling of cameras, films and to some extent film processing. These are the things that contribute to successful photography. Other examples are available.

- **High Mental Ability:** Another critical success factor is high mental ability. High mental ability is very important for an entrepreneur to be really successful. Mental ability refers to the capacity to understand. It enables the entrepreneur to think and develop strategies that will lead to success in a highly competitive environment.
- **Human Relation Skills:** Possession of good human relation skills is another critical success factor in entrepreneurship. We have deliberately chosen human relation skills because it stands on its own as an aspect of management competence. We have chosen the human relation aspect of management because as we said, the entrepreneur is the factor that organizes the other factors of production. Land is a non-human factor of production. So, also is capital. But labour is a human factor of production. And it is the ability to manage this human factor of production that leads to excellent business performance.

## CAUSES OF BUSINESS FAILURE

As said earlier we will discuss the causes of business failure so as to give potential entrepreneur adequate information on what could lead to failure in business. This is important because prevention is better than cure.

- **Unbalanced Experience in a Line of Business:** This is one of the major causes of business failure. Every line of business has its own unique features. A potential entrepreneur going in to business needs to have prior experience and knowledge or someone with experience in a particular line of business for guidance.
- **Poor Managerial Experience:** The difference in performance between two organizations can be traced to their different management. Good and effective managers make a lot of difference in an organization. An organization with a good crop of managers will obviously show superior performance than one with poor managers. So it is very easy for us to say that poor managerial experience on the part of the entrepreneur can lead to business failure.
- **Lack of Information about the customer:** All over the world today and in every situation, the business is woven around the customer. Successful businesses direct their energies towards satisfying their customer. And as is said, “**The customer is king**”. It therefore follows that any business that does not have sufficient information about the customer is likely to fail. This is because the customer is likely to switch alliance.
- **Lack of Product Development:** Today’s customers are always asking for new products with new and better features or an upgraded version of existing ones. Lack of value addition to a product can therefore make customers stop patronizing a product thereby leading to decline in sales which result to failure of business.

## **Introduction**

Essentially, entrepreneurship needs ideas to start and grow their entrepreneurial ventures. generating ideas in an innovative and creative process. Sometimes, the most difficult aspect of starting a business is coming up with a business idea. Even if you have a general business idea in mind, it usually needs to go through fine-tuning processes. Fruitful ideas often occur at points where your skill set, your hobbies and interests, and your social networks interests. In other words, the best ideas for a new business are likely to come from activities and people that you already know well.

## **A Good Business Idea**

A business idea is a concept that can be used to make money. Usually it centres on a product or service that be offered for money. An idea is the first milestone in the process of founding a business. Every successful business started as someone's idea.

Although, a business idea has the potential to make money, it has no commercial value initially. Most business ideas exist in abstract form; usually in the mind of its creator or investor and not all business ideas, not matter how brilliant they may seem, would end up being profitable. To find out about an idea's chances in the market and check its innovative content and feasibility, you need to conduct a plausibility. A successful business idea must meet the following three conditions:

- It must offer benefit to the customer by solving a problem or fulfilling a need. Customers buy products and services for just one reason; to satisfy a need. So, if your business idea cannot satisfy customers, it won't be successful. Every successful business idea must have a unique selling proposition.
- It must have a market that is willing to accept it. A promising business idea must offer a product or service that would be accepted by a large market. It must also have feasible arrangements for catering to that large market as well as unique values that differentiates it from the competition.
- It must have a mechanism for making revenue. A successful business idea must show how much money can be earned from it and how money will be earned.

## **BUSINESS OPPORTUNITY**

A business opportunity on the other hand is a proven concept that generates on-going income in other words, a business opportunity is a business idea that has been researched upon, refined and packaged into a promising venture that is ready to launch.

While multiple business ideas may strike you on a daily basis, only few of them will be profitable in the long run based on market research and feasibility study conducted. These few are the real business opportunities. An opportunity is regarded as one after it has been found to meet the following criteria.

- It must have high gross margins

- It must have the potential to reach break, even cash flow within 12 months – 36 months.
- The start-up capital investment must be realistic and within the range of what you can provide.
- You must have a strength and ability needed to drive the business to success.
- **Your level of enthusiasm** for the business must be very high.
- It must have the potential for residual income
- It must have the potential to keep on improving with time.
- It must have a **low level of liability risk**.

### Sources of Business Idea

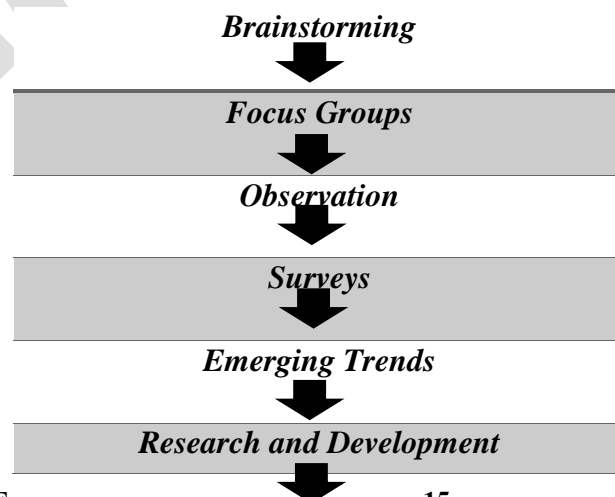
A good business idea can be sourced through the following ways:

- Develop ideas as extension of an existing product (i.e. adding camera and song features to a mobile phone).
- Create an improved service (fast delivery services).
- Market a product at a lower price (via e-commerce e.g. amazon.com)
- Add value to an existing product or service (i.e. reputable brand name or delivery service)
- Altering their quality or quantity.
- Introducing automation, simplification, convenience (i.e. smart product)
- Personal interests or hobbies, many people find ways to turn their hobbies into successful businesses.
- Work experiences, skills, abilities, a business, related to the work you do.
- A familiar or unfamiliar product or service.
- Spot the latest trends.
- Changing the delivery method, packaging, unit size or shape.

### Technique for Business Idea Generation

In general, entrepreneurs identify more ideas than opportunities because many ideas are typically generated to find the best way to capitalize on an opportunity.

Several techniques can be used to stimulate and facilitate the generation of new ideas for products services and businesses. Figure 1 presents the techniques of idea generation.



*Tradeshows and Association Meetings**Other Technique*

- **Brainstorming** - this is a process in which a small group of people interact with very little structure, with the goal of producing a large quantity of innovative and imaginative ideas. The goal is to create an open, uninhabited atmosphere that allows members of the group to freewheel ideas. Normally, the leader of the group asks the participants to share their ideas. As group members interact, each idea sparks the thinking of others, and the spawning of ideas becomes contagious.
- **Focus Groups** - these are group of individuals who provide information using a structured format. Normally, a moderator will lead a group of people through an open, in depth discussion. The group members will form comments in open-end in-depth discussion for a new product area that can result in market penetration. This technique is an excellent source for screening ideas and concept.
- **Observation** - a method that can be used to describe a person or group of people's behaviour by probing: (i) What do people/organization buy? (ii) What do they want and cannot buy? (iii) What do they buy and don't like? (iv) Where do they buy, when and how? (v) Why do they buy? (vi) What are they buying more of? (vii) What else might they need but cannot get?
- **Surveys** - this method is proposed by Zikmund (1994). This process involves the gathering of data based on communication with a representative sample of individuals. This research technique requires asking people who are called respondents for information either verbally or by using written questions. Questionnaires or interviews are utilized to collect data on the telephone or face-to-face interview.
- **Emerging Trends** - the example is based in the population within your area may be getting older and creating demand for new products and services.
- **Research and Development** - research is a planned activity aimed at discovering new knowledge, with the hope of developing new or improved products and services. Researching new methods, skills and techniques enable entrepreneurs to enhance their performance and ability to deliver better products and services.
- **Tradeshows and Association Meetings** - This can be an excellent way to examine the products of many potential competitors, uncover product trends and identify potential products.
- **Other Technique** - this can be achieved by reading relevant trade magazines and browsing through trade directories. These may include local, national and foreign publications.

**TASKS IN DEVELOPING BUSINESS IDEAS**

For a start, you could pursue the following tasks:

- **Identify the value proposition of your business idea:** This is to identify and briefly describe the unique value that you may be able to bring to your customers that your competitors cannot.



- **Discuss Products/Services with Prospective Customers:** Would they buy from you, at what price, with what frequency etc.? Why would they prefer your products to the competitors? Find out what they really think there is a danger that people will tell you what they think you would like to hear. Listen carefully to what is being said; watch carefully for qualifications, hesitations etc. and don't brow beat respondents with your ideas, you are looking for their views.
- **Assess the market using in-depth market research:** (i) how is market segmented (by price, location, quality, channel etc? (ii) What segments are your targeting? (iii) How large are these segments (in terms of volume) and how are they changing? (iv) What are the price make up/structures? (v) What market share might be available to you bearing in mind your likely prices, location, breadth of distribution, levels of promotion etc.?
- **Analyze your competitor:** (i) Who are they and how do they operate? (ii) Are they successful and why? (iii) How would they react to your arrival? (iv) What makes you think that you could beat the competition? (v) At who expense will you gain sales?
- **Consider possible start-up strategies:** (i) Will you be able to work from him or part-time? (ii) Will you seek a franchise or set up an in-store concession? (iii) Will you start by buying in finished products for resale as a precursor to manufacturing? (iv) Will you contract out manufacturing? (v) Will you buy an existing businesses or form an alliance? (vi) Could you lease or hire equipment, premises etc. rather than buy? (vii) How will you stimulate sales?

## **MODULE FIVE: ENTREPRENEURIAL/BUSINESS ENVIRONMENT**

### **Introduction**

The success of every business depends on adapting itself to the environment within which it functions. For example, when there is a change in the government policies, the business, has to make the necessary changes to adapt it to the new policies. Similarly, a change in the technology may render the existing products obsolete, as we have seen that the introduction of computer has replaced the typewriters, the colour television has made the black and white television out of fashion. Again a change in the fashion or customers' state may shift the demand in the market for a particular product, e.g. the demand for jeans reduced the sale of other traditional wear. All these aspects are external factors that are beyond the control of the business. So, the business units must have to adapt themselves to these changes in order to survive and succeed in business.

Hence, it is very necessary to have a clear understanding of the concept of business environment and the nature of its various components.

### **Meaning of business environment**

Business environment may be defined as the total surroundings, which have a direct or indirect bearing on the functioning of business. It may also be defined as the set of external and internal factors which are dynamic in nature and affects the business decisions of a firm.

In modern circumstance, the business operates in a turbulent environment. Internal and external factors affect the business. Internal factors include the vision and mission as well as employees of the organization and other internal mechanism of the organization. On the other hand, external factors are the ones which lie beyond the control of business and impact the organization immensely in operations. External environment relates with the outsiders such as suppliers, customers, creditors, government, etc. For a business organization to achieve success, it is important to go hand in hand, both with internal as well as external factors.

### Features of business environment

Understanding environment within which the business is to operate is very important for successful business.

Some of the features of business environment are as follows:

- **Specific and General Forces:** Business environment includes both specific and general forces. Specific forces (such as investor, customers and suppliers) affect individual enterprises directly and immediately in their day-to-day working. General forces (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm indirectly only.
- **Dynamic Nature:** Business environment is dynamic in nature. It keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competition in the market.
- **Uncertainty:** Business environment is largely as it is very difficult to predict future happenings, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.
- **Relativity:** Business environment is a relative concept since it differs from country to country and even region to region. Political conditions in the USA, for instance, differ from those in China or Pakistan. Similarly, demand for *saree* may be fairly high in India whereas it may be almost non-existent in France.
- **Multifaceted:** Business environment changes are frequent and depend on knowledge and existence of business person. Changes may be viewed differently by different individuals. It may be an opportunity for some or a threat for others.

### Importance of business environment to entrepreneur

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. As stated above, the business environment is multifaceted, uncertain, and dynamic in nature which has a far-reaching impact on the survival

and growth of the business. To be more specific, proper understanding of various aspects of business environment helps the business in the following ways:

- **First Mover Advantage:** Early identification of opportunities helps enterprise to be the first to exploit them instead of losing them to competitors.
- **Identification of Threats:** Identification of possible threats helps in taking corrective and improving measures to survive the competition. For instance; Nigerian if a firm finds that a foreign multinational is entering the Nigerian market, it can meet the threat by adopting measures like, by improving the quality of the product, reducing cost of the production engaging in aggressive advertising, and so on.
- **Coping with Rapid Changes:** All types of enterprises are facing increasingly dynamic environment. In order to effectively cope with these significant changes, firms must understand and examine the environment and develop suitable course of action.
- **Improving Performance:** The enterprises that continuously monitor their environment and adopt suitable business practices are the ones which not only improve their present performance but also continue to success in the market for a longer period.
- **Giving Direction for Growth:** The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.

### Types of business environment

There are mainly two types of business environment, internal and external. A business has absolute control in the internal environment, whereas it has no control on the external environment. It is therefore, required by business, to modify their internal environment on the basis of pressures from external.

The internal environment has received considerable attention by firms. Internal environment contains the owner of the business, the shareholders, the managing director, the non-managers, employees, the customers, the infrastructure of the business organizations, and the culture of the organization. It includes 6 Ms i.e.

- Man (Human resource)
- Money (Financial factors)
- Marketing resources
- Machinery (Physical assets)
- Management Structure and Nature
- Miscellaneous Factors (Research and Development, Company Image and Brand Equity, Value System, Competitive Advantage).

Usually, these factors are within the control of business. Business can make changes in these factors according to the change in the functioning of enterprise.

### Man (Human Resource)

The human resource is the important factor for any organization as it contributes to the strength and weakness of any organization. The human resource in any organization must have characteristics like skills, quality, high morale, commitment towards the work, attitude, etc. The involvement and initiative of the people in an organization at different levels may vary from organization to organization. The organizational culture and overall environment have bearing on them. It is internal factor and an organization has absolute control on changing this factor as per the needs the enterprises and other forces.

### **Money (Financial Factors)**

Factors like financial policies, financial positions and capital structure are another important internal factor which has a substantial impact on business functioning and performance. Financial facilities are required to start and operate the organization. The sources of finance are share capital, banking, and other financial institutions and unorganized capital markets. The recent changes in the Indian capital market indicate the availability of plenty of finance, both from the financial institutions as well as from the general public. The availability of finance coupled with various incentives attached is a facilitating internal factor.

### **Marketing Resources**

Resources like the organization for marketing, quality of the marketing men, brand equity and distribution network have direct impact on marketing efficiency of the company and thereby, affecting the decision making component of the management. This, in lieu has great impact on the internal environment of business.

### **Machinery (Physical Assets)**

Facilities like production capacity, technology are among the factors which influences the competitiveness of the firm. The proper acquisition and working of the assets is indeed essential for efficient working of the organization. An organization invests money in plant and machinery because it expects a positive rate of return over cost in future.

### **Management Structure and Nature**

The structure of the organization also influences the business decisions. Being internal forces, the organizational structure like the composition of board of directors influences the decisions of business. The structure and style of the organization directly has an impact on the decision making process of a firm. These needs to be appropriately managed for smooth functioning and operations. The strategies available to an organization are determined by its structure. Different strategies are better suited to different environments.

### **Miscellaneous Factors**

The other internal factors that contribute to the business environment are as follows:

- Research and Development,
- Company Image and Brand Equity,

- Value System, and
- Competitive Advantage.

NASELS 2021